



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

FOR IMMEDIATE RELEASE: August 22, 2006

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SEC GIVES CITY ATTORNEY ASSURANCE IT IS INDEPENDENT FROM THE INFLUENCE OF ITS FORMER CHAIRMAN WHO FILED THE \$20.3 MILLION KROLL REPORT

San Diego, CA: In a news conference held this afternoon, City Attorney Michael Aguirre informed the public that the U.S. Securities and Exchange Commission (SEC) made it very clear to the City that it is totally independent from its former chairman, Arthur Levitt, head of Kroll, Inc., the consulting firm which conducted the investigation into the City's financial disclosure practices and its \$1.4 billion pension deficit.

According to Aguirre, the SEC also informed the City that while it has reviewed the \$20.3 million Kroll Report, the SEC has been conducting its own independent investigation and will be issuing its own remediation plan for the City. The City Attorney met yesterday for an hour and a half with SEC officials in Los Angeles.

"It was important to hear directly from the SEC because Mr. Levitt has taken it upon himself to give the impression to San Diego officials and the Union-Tribune Editorial Board, that he maintains influence on the government entity which is tasked with protecting the investing public," said City Attorney Aguirre.

Aguirre also stated that the recommendations on remediation by Kroll, Inc. should only occur after public review and approval. Key Kroll proposals needing public evaluation include appointing an outside monitor to supervise the City, removing the City Attorney as chair of the Bond Disclosure Practices Working Group (DPWG), maintaining the legal counsel status quo at the Retirement Board, appointing an independent Auditor General, and creating a separate, three-member Audit Committee.

"It makes no sense to have the parties responsible for getting us into this mess driving the train of reform. Our democratic form of government requires a thorough public review of the recommendations made by Kroll," Aguirre stated.

In February 2004, the SEC and the U.S. Attorney began investigating the City of San Diego, probing into its financial disclosure practices and pension system. Kroll, Inc. is a risk management firm hired by the City of San Diego in February 2005 to analyze conflicting pension investigative reports by the law firm of Vinson & Elkins and the San Diego City Attorney.

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